

## **AGENCY MEMBERS PRESENT**

Caldwell, Gene, M.D., Chair  
Atchley, Bryan, Vice Chair  
Coile, Kristin, designee for the Commissioner of Commerce and Insurance  
Handorf, Charles, M.D.  
Jones, Clark  
Koella, Carl, III,  
Lammert, Gregory  
Troy, Peggy  
Weaver, Faye, designee for the Comptroller of the Treasury

## **AGENCY MEMBERS ABSENT**

Collier, David, M.D., designee for the TennCare Director

## **AGENCY STAFF PRESENT**

Hill, Melanie, Executive Director  
Bobbitt, Melissa, Administrative Services Assistant II  
Brogden, Reid, General Counsel  
Christoffersen, Jim, Deputy General Counsel  
Craighead, Alecia, Statistical Analyst III  
Farber, Mark, Assistant Executive Director  
Finchum, Rhonda, Office Manager  
Grimm, Jeff, Health Planner III  
Wells, Phil, Health Planner III

## **GUESTS PRESENT**

Baker, E. Graham, Esq., Weeks, Anderson, & Baker  
Benton, Tony, Mountain State Health Alliance  
Beuerlein, Jim, MD, Assoicate Medical Director, Select Specialty Hospital-Knoxville  
Block, Jake, MD, Assistant Professor, VUMC  
Blount, Steve, Premier Radiology  
Brand, Bryan, President, Vanderbilt Imaging Service  
Brent, Michael D., Esq., Boulton, Cummings, Connors & Berry  
Bundy, Michael, Senior Director, Wellmont Health System  
Combs, Stephen, MD, Holston Valley Medical Center  
Corritore, Danell, Department of Health  
Crossan, Eric, Director of Rehabilitation Services, Gateway Medical Center  
Cuddy, Stephen, MD  
Culp, Joe, Department of Health  
Davis, Mark, THM  
Dobbins, Jeff  
Douglas, Blaine, Holston Valley Medical Center  
Duncan, Bruce, NHC  
Dunphy, Sarah K., MedQuest  
Elrod, Dan H., Esq., Miller & Martin  
Elrod, Burton, MD, Burton Elrod, MD, PLC  
Ely, Thomas L., D.O., CMO, Gateway Medical Center  
Feldhouse, Doreen, MD, Family Care Center  
Foss, Coleman, CEO, Dyersburg Medical Center  
Gooch, Warren, Esq., Kramer, Rayson, Leake, Rodgers & Morgan, LLP  
Harrett, Bob, Parsons  
Hill, Ronald, Vanderbilt University Medical Center  
Houchin, Barbara, St. Thomas Health System  
Huffnagle, Vera, MD, Dickson Medical Associates  
Huggins, Mike, THA

HEALTH SERVICES AND DEVELOPMENT AGENCY

JUNE 28, 2006 MEETING

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Ison, Mark, Sherrard & Roe  
Lambert, Lynn R., CFO, Gateway Medical Center  
Landman, Jeffrey, MD, Vanderbilt Imaging Services  
Lawson, Justin, Burton F. Elrod, MD, PLLC  
Luchessi, Jane, Memorial Hospital  
Macri, William, CEO, Bedford County Medical Center  
Matijevich, Eli, St. Mary's Health System  
Miller, Jerry, MD, Medical Director/President, Holston Medical Group  
Miller, Mike, Gateway Health System  
Moore, David, Burton F. Elrod, MD, PLLC  
Moore, Elliott, Mountain State Health Alliance  
Moore, Jim, System Director of Facilities, Wellmont Holston Valley Medical Center  
Morris, Jeffery, Architect, Gresham, Smith & Partners  
Mullins, Michael L., CEO, Gateway Medical Center  
Norris, Mark, Esq., Adams and Reese  
Parrish, Jeff, THM  
Penny, Linda, Comptroller's Office  
Pierce, Charlotte, Court Manor Nursing Home  
Phillips, Dennis, Mayor, City of Kingsport  
Plumlee, Steve, Administrator, Select Specialty Hospital-Knoxville  
Poe, Dale, Director of Strategic Decision Support, Wellmont Health System  
Ray, Eugene, Bedford County Medical Center  
Richardson, Mike, Covenant Health  
Russell, William, Bedford County Medical Center  
Salluzzo, Richard, CEO, Wellmont Health System  
Sassman, Greg, VP, Development, Select Specialty Hospital-Knoxville  
Scott, Vanda, PhD, Administrator/CEO, Select Specialty Hospital-Knoxville  
Smith, Fleming W., Jr., Principal/Architect, Gresham, Smith & Partners  
Starkweather, Keith, MD, Chief of Staff, Gateway Medical Center  
Stephenson, Kate, Esq., Trauger & Tuke  
Swift, Brenda, Vanderbilt University Medical Center  
Taylor, Jerry W., Esq., Farris, Mathews, Branam, Bobango, Hellen & Dunlap, PLC  
Thomas, Gary, Vice President/Administrator, University of Tennessee Medical Center  
Trauger, Byron, Esq., Trauger & Tuke  
Trotter, Don, Mayor, City of Clarksville  
Voight, John, Esq., Sherrard & Roe  
Wellborn, John, Development Support Group  
West, William H., Esq., Baker, Donelson, Bearman, Caldwell & Berkowitz,  
Wilkes, Clem, Mountain State Health Alliance  
Willes, Jeff, Burton Elrod, MD, PLLC  
Wyatt, Bill, Chairman of Board, Gateway Medical Center

Chairman Caldwell called the meeting to order at 8:30 a.m. in the Meeting Room 12 of Legislative Plaza, Nashville, Tennessee.

#### **DIRECTOR'S ANNOUNCEMENTS**

Melanie Hill, Executive Director made general announcements. Ms. Hill further stated that the letter of opposition withdrawal for the Burton F. Elrod, MD, PLLC application was in the member's notebooks. Eight (8) applications are scheduled for July, five (5) for August and possibly eleven (11) for September.

## CERTIFICATE OF NEED APPLICATIONS

*Mark Farber summarized the following CON applications:*

*Ms. Troy and Dr. Handorf recused*

### Dyersburg Regional Medical Center - (Dyer, Dyersburg County) - Project No. CN0509-083

The establishment of a cardiac catheterization laboratory to provide cardiac diagnostic services in newly renovated space at the hospital. Project Cost \$2,972,453.00.

Mark Norris, Esq., representing the applicant, addressed the Agency. Coleman Foss, CEO, Doreen Feldhouse, MD, and Stephen R. Cuddy, MD, spoke on behalf of the project.

Ms. Weaver moved for approval of the project based on: 1) Need – There is a need for diagnostic cardiac services in Dyer County based on the population and based on the number of individuals who have heart related conditions which can be better diagnosed with such a facility; 2) Economic Feasibility – The project is economically feasible as the funds are available; and 3) The project does contribute to the orderly development of adequate and effective health care. **Condition: Cardiac catheterization procedures are limited to diagnostic only and interventional procedures would not be provided and (2) patients receiving cardiac catheterization be limited to those who qualify for the procedure in settings without cardiac surgery on the basis of the patient exclusion criteria developed by the American College of Cardiology/Society for Cardiac Angiography and Interventions.** Mr. Atchley seconded the motion. The motion FAILED [3-3-1]. **DENIED**

AYE: Atchley, Weaver, Jones,

NAY: Coile, Lammert, Caldwell

ABSTAINED: Koella

Dr. Caldwell stated that the prevailing vote was made due to the criteria of need; being that there is no evidence that Dyersburg will meet the need. Having a small cardiac cath facility in a community hospital without having a strong referral source and without proper follow-up care does not contribute to the orderly development of healthcare.

### Wellmont Holston Valley Medical Center - (Kingsport, Sullivan County) - Project No. CN0602-010

The renovation of 89,500 square feet of existing space, and construction of 212,431 square feet of new space. Major services affected include emergency, surgery, critical care, pediatrics, OB/Gyn and support areas. No additional beds, services or major equipment will be included. Project Cost \$94,430,686.00.

Byron Trauger, Esq., representing the applicant, addressed the Agency. Jim Moore, System Director of Facilities, Wellmont Health System, Stephen Combs, MD, Holston Valley Medical Center, Jerry Miller, MD, Med Dir/Pres., Holston Medical Group and Richard Salluzzo, CEO, Wellmont Health System spoke on behalf of the project. Present in support were: Michael Bundy, Senior Director, Wellmont Health System; Blaine Douglas, Holston Valley Medical Center; Mayor Dennis Phillips, City of Kingsport; Fleming W. Smith, Jr., Principal/Architect, Gresham, Smith & Partners; Dale Poe, Dir of Strategic Decision Support, Wellmont Health System; and Jeffery Morris, Architect, Gresham, Smith & Partners

Mr. Koella moved for approval of the project based on: 1) Need – The need is there with the age of the facility and the growth of the service area; 2) Economic Feasibility – The project is economically feasible through tax exempt bonds at 4.02%; and 3) The project does contribute to the orderly development of adequate and effective health care as they are a major TennCare provider, are properly licensed, they have strong charity care and the community support. Dr. Handorf seconded the motion. The motion CARRIED [9-0-0]. **APPROVED**

AYE: Troy, Coile, Koella, Atchley, Lammert, Handorf, Weaver, Jones, Caldwell

NAY: None

**Bedford County Medical Center - (Shelbyville, Bedford County) - Project No. CN0602-014**

The replacement and relocation of an existing hospital from 845 Union Street, Shelbyville (Bedford County), TN to the intersection of Airport Business Park Road, and US Hwy 231, Shelbyville (Bedford County), TN. Forty-four (44) beds will be delicensed, decreasing the licensed beds from one hundred four (104) to sixty (60) beds. This project also includes the acquisition of a replacement magnetic resonance imaging unit. Project Cost \$35,634,881.00.

William H. West, Esq., representing the applicant, addressed the Agency. William Macri, CEO, and Eugene Ray, County Commissioner, spoke on behalf of the project.

Dr. Handorf moved for approval of the project based on: 1) Need – The need is established for the replacement of this antiquated facility in a growing community; 2) Economic Feasibility – The project is economically feasible with cash reserves and financing ability of the parent company; and 3) The project does contribute to the orderly development of adequate and effective health care as licenses are in place and they are a TennCare provider. Ms. Coile seconded the motion. The motion CARRIED [9-0-0]. **APPROVED**

AYE: Troy, Coile, Koella, Atchley, Lammert, Handorf, Weaver, Jones, Caldwell

NAY: None

*Ms. Troy recused*

**Court Manor Nursing Center - (Memphis, Shelby County) - Project No. CN0603-017**

The relocation and replacement of the nursing home from 1414 Court Street, Memphis (Shelby County), TN to an unaddressed, undeveloped site in the 1200 block of North 2nd Street South & North 7th Street in Memphis (Shelby County), TN. The project will include an additional twenty-two (22) \*skilled nursing facility beds for a total of one hundred twenty (120) dually certified skilled nursing home beds. \* These beds are subject to the 125 nursing home bed pool for 2005-2006. Project Cost \$9,153,420.96.

Jerry W. Taylor, Esq., representing the applicant, addressed the Agency. Mark Davis spoke on behalf of the project and Jeff Parrish was present.

Mr. Atchley moved for approval of the project based on: 1) Need – The need for a facility with sprinklers is demonstrated and there is a need for additional beds in the area; 2) Economic Feasibility – The project is economically feasible with the combination of financing from commercial loans, cash reserves and an operating lease; and 3) The project does contribute to the orderly development of adequate and effective health care with the relocation and an all new building. Mr. Jones seconded the motion. The motion CARRIED [7-1-0]. **APPROVED**

AYE: Coile, Koella, Atchley, Lammert, Handorf, Collier, Jones, Caldwell

NAY: Weaver

**Select Specialty Hospital--Knoxville, Inc. - (Knoxville, Knox County) - Project No. CN0603-018**

The relocation of twenty-five (25) long term hospital beds from Select Specialty Hospital-Knoxville, 1924 Alcoa Highway, Knoxville, TN 37920 to a new replacement facility to be constructed on a site leased from University Health Systems on the campus of University of Tennessee Medical Center at Cherokee Trail and Old Cherokee Trail, Knoxville (Knox County), TN 37920. Project Cost \$20,403,035.00.

E. Graham Baker, Esq., representing the applicant, addressed the Agency. Steve Plumlee, Administrator, Jim Beuerlein, MD, Associate Medical Director, Gary Thomas, Vice President/Administrator, University of Tennessee Medical Center and Vanda Scott, PhD, Administrator/CEO spoke on behalf of the project. Greg Sassman, VP, Development was present.

Ms. Troy moved for approval of the project based on: 1) Need – The project does meet a community need as there is a severe shortage of the ability to get chronically ill patients out of the hospitals and helps acute care transfer patients; 2) Economic Feasibility – The project is economically feasible; and 3) The project does contribute to the orderly development of adequate and effective health care. **Condition: The replacement facility is to be no more than 42,000 square feet.** Mr. Atchley seconded the motion. The motion CARRIED [9-0-0]. **APPROVED**

AYE: Troy, Coile, Koella, Atchley, Lammert, Handorf, Weaver, Jones, Caldwell

NAY: None

*Mr. Jones left meeting*

#### Gateway Medical Center - (Clarksville, Montgomery County) - Project No. CN0603-020

The replacement and relocation of an existing hospital from 1771 Madison Street, Clarksville (Montgomery County), TN to an unaddressed site on Dunlop Lane, Clarksville (Montgomery County), TN. The existing facility is licensed as a two hundred six (206)-bed general hospital and holds an unimplemented Certificate of Need (CN0203-020A) for the addition of sixty-four (64) beds for a total of two hundred seventy (270) beds. This project also includes the acquisition of a new magnetic resonance imaging (MRI) unit, and one cardiac catheterization laboratory. Rehabilitation beds will be increased from thirteen (13) to twenty (20). Project Cost \$178,975,600.00.

Dan H. Elrod, Esq., representing the applicant, addressed the Agency. Dr. Keith Starkweather, Chief of Staff, Don Trotter, Mayor, City of Clarksville and Michael L. Mullins, CEO spoke on behalf of the project. Present in support were: Eric Crossan, Director of Rehabilitation Services; Bill Wyatt, Chairman of Board; Lynn R. Lambert, CFO; Thomas L. Ely, D.O., CMO; and John L. Wellborn, Consultant

Mr. Koella moved for approval of the project based on: 1) Need – The need is there since the existing facility is over 50 years old and they need better surgery suites to accommodate community growth in the area; 2) Economic Feasibility – The project is economically feasible through cash and loan through Triad Hospital; and 3) The project does contribute to the orderly development of adequate and effective health care as they are properly licensed and they are a TennCare provider. **Condition: Upon implementation, CN0203-020A will be surrendered.** Mr. Atchley seconded the motion. The motion CARRIED [8-0-0]. **APPROVED**

AYE: Troy, Coile, Koella, Atchley, Lammert, Handorf, Weaver, Caldwell

NAY: None

#### Burton F. Elrod, MD, PLC - (Nashville, Davidson County) - Project No. CN0603-021

The acquisition of an extremities magnetic resonance imaging (MRI) unit and the initiation of outpatient MRI services limited to the patients of this practice. No facility license will be required for this private-practice service. Project Cost \$998,072.00.

Jerry W. Taylor, Esq., representing the applicant, addressed the Agency. Justin Lawson, Administrator, spoke on behalf of the project.

Mr. Lammert moved for approval of the project based on: 1) Need – There is a need; 2) Economic Feasibility – The project is economically feasible; and 3) The project does contribute to the orderly development of adequate and effective health care as it benefits the patients scheduling needs. Ms. Coile seconded the motion. The motion CARRIED [8-0-0]. **APPROVED**

AYE: Troy, Coile, Koella, Atchley, Lammert, Handorf, Weaver, Caldwell

NAY: None

#### GENERAL COUNSEL'S REPORT

#### Tennessee Advanced Neurodiagnostic Institute, Inc. - (Nashville, Davidson County) - Project No. CN0309-084A

The request is to remove the limitation of neurological uses only. This project was approved December 17, 2003 for the establishment of an outpatient diagnostic center with the acquisition of a fixed full-time leased 3.0 Tesla magnetic resonance imaging (MRI) unit and the initiation of MRI services limited to neurological uses. The expiration date was February 1, 2006. The project was implemented January 24, 2005. Opposing the project were: David R. Uskavitch, MD, Neurologic Consultants; and Michael Kaminiski, MD, St. Thomas Neurology Group. The applicant has published a notice of the request and notified opposition.

Vanderbilt Imaging Services, LLC (VIS), along with St. Thomas Network (STN), intends to acquire the imaging assets of Tennessee Advanced Neurodiagnostic Institute (TANI) and provide services through the existing MRI as a joint venture. This MRI, with the removal of the limitations, will allow TANI to treat all patients referred to the center by not only providing diagnosis of demyelinating diseases of the brain and spine, but also diagnosis of diseases and conditions appropriate for 3.0 T imaging.

Dan H. Elrod, Esq., representing TANI, addressed the Agency. Dr. Jake Block, Assistant Professor, VUMC spoke on behalf of the request. Present in support were: Bryan Brand, President, Vanderbilt Imaging Service; Jeffrey Landman, MD; Vera Huffnagle, MD, Dickson Medical Associates; and Barbara Houchin, Director, Strategic Planning, St. Thomas Health Services

Byron Trauger, Esq., representing Premier Radiology, and Dr. Steve Blount, Premier Radiology, opposed the request.

Mr. Elrod rebutted

Mr. Trauger provided summation for Premier Radiology.

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Mr. Elrod provided summation for TANI.

Mr. Koella moved for denial of the request as it constitutes a huge change from the original Certificate of Need (CON) application and this request deserves a full CON hearing to make a determination. Dr. Handorf seconded the motion. The motion CARRIED [8-0-0].  
**DENIED**

AYE: Troy, Coile, Koella, Atchley, Lammert, Handorf, Weaver, Caldwell  
NAY: None

#### **OTHER BUSINESS**

- 1) Ms. Troy presented Memphis Market Dynamics regarding the increase in Medicare population. These increases indicate the changes, such as, increased demand in healthcare choices which shapes both the demand and supply of healthcare services with a decline in commercial population. The biggest shift in healthcare will occur in 2010 – 2015 with the workforce also facing a crisis of the shortage of nurses and doctors.
- 2) Closures – Ms. Hill reported to the members that eleven (11) applications have been submitted and approved for the discontinuance of OB services since the Agency was established. Only one (1) application listed medical malpractice as a reason, and all discussion of it as an issue was generated by the Agency members in connection with other applications.

Mr. Lammert moved to send a letter to the Governor expressing the Agency's concerns about OB closures, noting that the Commissioner of Commerce and Insurance's designee opposed. Mr. Atchley seconded.

AYE: Troy, Koella, Atchley, Lammert, Handorf, Weaver, Caldwell  
NAY: Coile

- 3) Strategic Plan was presented for members' review.— Suggestions were made to improve the availability of the database on line by providing information to consumers and stakeholders regarding CON applications, approvals, denials, deferrals and timely implementations.

#### **CURRENT REPORTS**

##### **Statistical Reports**

The reports were accepted into the record.

##### **Finance, Ways and Means Committee Reports**

The reports were accepted into the record.

##### **Minutes**

The minutes of the May 24, 2006, meeting were accepted by unanimous voice vote.

#### **ADJOURNMENT**

There being no further business, the meeting adjourned.

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Melanie M. Hill, Executive Director

MMH/mab